

**EASTERN OKLAHOMA COUNTY
MEDICAL DEVELOPMENT
AUTHORITY**

**ANNUAL FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORTS**

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2019**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Eastern Oklahoma County Medical Development Authority
Choctaw, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the Eastern Oklahoma County Medical Development Authority as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the component unit's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the component unit's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the component unit's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Eastern Oklahoma County Medical Development Authority as of June 30, 2019, and the respective changes in financial position its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Eastern Oklahoma County Medical Development Authority has not presented the Management's Discussion and Analysis required by the Governmental Accounting Standards Board (GASB) and the GASB has determined is necessary to supplement, although not required to be a part of the basic financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2019 on our consideration of the Eastern Oklahoma County Medical Development Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Eastern Oklahoma County Medical Development Authority's internal control over financial reporting and compliance.

Dillon & Associates, PC

Midwest City, Oklahoma
September 16, 2019

EASTERN OKLAHOMA COUNTY MEDICAL DEVELOPMENT AUTHORITY
Statement of Net Position
June 30, 2019

ASSETS

Current Assets	
Cash and cash equivalents	\$ <u>129,198</u>
Total Current Assets	<u>129,198</u>
Property and Equipment	
Land, building and equipment, net of accumulated depreciation of \$465,186	<u>472,313</u>
Total Assets	<u><u>601,511</u></u>

LIABILITIES AND NET POSITION

Liabilities	
None	<u>-</u>
Total Liabilities	<u>-</u>
Net Position	
Net investment in capital assets	472,313
Unrestricted	<u>129,198</u>
Total Net Position	\$ <u><u>601,511</u></u>

See accompanying notes to the basic financial statement.

EASTERN OKLAHOMA COUNTY MEDICAL DEVELOPMENT AUTHORITY
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2019

Revenues	
Rental income	\$ 88,800
Investment income	532
	89,332
Total Revenues	89,332
Expenses	
Services and charges	1,300
Interest expense	3,151
Depreciation	23,349
	27,800
Total Expenses	27,800
Change in Net Position	61,532
Net Position - Beginning	539,979
	601,511
Net Position - Ending	\$ 601,511

See accompanying notes to the basic financial statement.

EASTERN OKLAHOMA COUNTY MEDICAL DEVELOPMENT AUTHORITY
Statement of Cash Flows
For the Year Ended June 30, 2019

Cash Flows From Operating Activities:	
Operating Income (Loss)	\$ <u>61,532</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	23,349
Changes in assets and liabilities:	
None	-
Total adjustments	<u>23,349</u>
Net Cash Provided (Used) in Operating Activities	<u>84,881</u>
Cash Flows From Non-Capital Financing Activities :	
None	<u>-</u>
Net Cash Provided (Used) in Non-Capital Financing Activities	<u>-</u>
Cash Flows From Capital and Related Financing Activities :	
Payments on debt	(82,626)
Purchase of capital assets	<u>-</u>
Net Cash Provided (Used) in Capital and Related Financing Activities	<u>(82,626)</u>
Cash Flows From Investing Activities :	
None	<u>-</u>
Net Cash Provided (Used) in Investing Activities	<u>-</u>
Net Increase (Decrease) in Cash and cash equivalents	2,255
Cash and cash equivalents - Beginning of Year	<u>126,943</u>
Cash and cash equivalents - End of Year	<u><u>129,198</u></u>
<u>Supplemental Disclosure</u>	
Cash paid for interest	\$ <u><u>3,151</u></u>

See accompanying notes to the basic financial statement.

EASTERN OKLAHOMA COUNTY MEDICAL DEVELOPMENT AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

(1) Organization -

The Eastern Oklahoma County Medical Development Authority (the "Authority") was created by a trust indenture dated July 27, 1995, for the use and benefit of the beneficiary municipalities for the public purposes set forth under the provisions of Title 6, Oklahoma Statutes 1981, Sections 176 to 180.4, inclusive as amended and supplemented, the Oklahoma Trust Act and other applicable statutes and laws of the State of Oklahoma.

The purposes of said Trust are:

(a) To furnish and supply to the inhabitants within the corporate limits of the Beneficiary Municipalities and in territory in reasonable convenient proximity thereto, and to any other agencies or entities, or any instrumentalities thereof or located therein, or in reasonable proximity thereto, medical services and medical facilities and services related thereto, for all purposes that the same be authorized or proper as a function of the Beneficiaries; and to fix, demand and collect charges, rates, rents and fees for the services and facilities to the same extent as the Beneficiaries themselves might do; provided that the furnishing of any services or facilities to any person delinquent in the payment of any indebtedness whatsoever to the Trust may be discontinued at any time.

(b) For the furtherance of the greater convenience and welfare of the Beneficiaries and the citizens thereof, to provide or to aid in providing and/or to participate in the providing to the federal government, the State of Oklahoma, Oklahoma County, Oklahoma, the Beneficiaries, any school districts located within the territories of the Beneficiaries or to any agency or instrumentality of any of them, or to any one or more of them, medical facilities and services and related services of any or all kinds convenient or necessary to the functioning thereof.

(c) To acquire, by lease, purchase or otherwise, to hold, construct, equip, maintain and operate, any and all physical properties designated or needful for utilization in the furnishing and providing of the aforesaid services and facilities; and to relinquish, dispose of, rent or otherwise make provision for, physical properties owned or controlled by the Trust but no longer needful for Trust purposes.

(d) To hold, maintain, and administer any leasehold rights in and to properties of the Beneficiaries demised to the Trustees, and to comply with the terms and conditions of any lease providing said rights.

(e) To provide funds for the cost of financing, acquiring, constructing, equipping, maintaining, repairing and operating any of the aforesaid services or facilities, and all properties (real, personal or mixed) necessary for executing and fulfilling the Trust purposes as set forth in this section of this instrument and all other charges, costs and expenses necessarily incurred in connection therewith; and in so doing, to incur indebtedness, either unsecured or secured by all or any part of the Trust Estate or its revenues, and as otherwise allowed by law, upon approval by a two-thirds vote of the governing bodies of two-thirds of the Beneficiaries of the Trust or as otherwise may be required by law.

EASTERN OKLAHOMA COUNTY MEDICAL DEVELOPMENT AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

(1) Organization - Continued

(f) To expend all funds coming into the hands of the Trustees, as revenues or otherwise, in the payment of the aforesaid costs and expenses and in the payment of any indebtedness incurred by the Trustees for purposes specified herein, and in the payment of any other debt or obligation properly chargeable against the Trust estate, and to distribute the residue and remainder of such funds to the Beneficiaries in the prorated amounts as provided herein for the payment of all or any part of the principal and/or interest of any bonded indebtedness of the Beneficiaries and/or for any one or more authorized or proper purposes of the Beneficiaries as shall be specified by the Trustees hereunder.

(2) Significant Accounting Policies -

Basis of Accounting - The Authority has adopted the accrual basis of accounting and as a proprietary activity has elected to apply all Financial Accounting Standards Board (FASB) Statements issued after November 30, 1989, except those in conflict with Governmental Accounting Standards Board (GASB) Pronouncements.

The Authority has implemented GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments. GASB Statement No. 34 established a new financial reporting model for state and local governments that include the addition of Management's Discussion and Analysis which management has elected to omit.

Cash and Cash Equivalents - For purposes of the Statement of Cash Flows, cash and cash equivalents include all highly liquid investments with a maturity of three months or less when purchased. Cash and cash equivalents are insured up to federal limits by the FDIC. Reconciliation of cash and cash equivalents per Statement of Cash Flows to Balance Sheet accounts is as follows:

	<u>Balance Sheet Amount</u>	<u>Less: Non-Liquid Investments</u>	<u>Cash and Cash Equivalents</u>
Current Assets:			
Cash	\$ 129,198	-	129,198
Short-term investments in CDs	-	-	-
	<u>\$ 129,198</u>	<u>-</u>	<u>129,198</u>

Capital Assets - Capital assets are recorded at cost. Maintenance and repairs are expensed in the year incurred. Gains or losses on retirement, sales, or trade-ins are recorded in the year incurred. Depreciation is provided using the straight line method over the estimated useful lives of the related assets, which are 40 to 50 years for buildings and improvements. Depreciation expense for the year ended June 30, 2019 was \$23,349.

EASTERN OKLAHOMA COUNTY MEDICAL DEVELOPMENT AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

(2) Significant Accounting Policies - Continued

Restricted Investments - The restricted bond fund cash and investments are the result of financial requirements of bond issues and consist of funds held at the Trustee Bank in Escrow, Debt Service, Reserve and Construction Accounts. Under the terms and provisions of the Debt Indenture, these special accounts and reserve funds are maintained with the Trustee bank for the benefit of the holders of the debt and are not subject to lien or attachment by any other creditors. These accounts and reserve funds are to be maintained so long as any debt is outstanding. Monies contained in accounts and reserve funds held by the Trustee are required to be continuously invested in authorized securities that mature not later than the respective dates when the funds shall be required for the purpose intended by the trust indenture.

Tax Exempt Status -The Eastern Oklahoma County Medical Development Authority with the City of Choctaw, Oklahoma as the Beneficiary, is exempt from income tax under Internal Revenue Code Section 115.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the required amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(3) Fair Value Measurements -

FASB Codification 820-10, formerly Financial Accounting Standards Board Statement No. 157, *Fair Value Measurements* (FASB Statement No. 157), establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy under FASB Codification 820-10 are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Authority has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

EASTERN OKLAHOMA COUNTY MEDICAL DEVELOPMENT AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

(3) Fair Value Measurements - Continued

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table sets forth by level, within the fair value hierarchy, the Authority's assets at fair value at June 30, 2019.

Assets At Fair Value As of June 30, 2019

	\$	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Short-term Investments		129,198	-	-	129,198
Restricted Investments		-	-	-	-
Total Assets at Fair Value	\$	<u>129,198</u>	<u>-</u>	<u>-</u>	<u>129,198</u>

(4) Capital Assets -

At June 30, 2019, the costs of capital assets were as follows:

Land and improvements	\$	79,322
Building & improvements		856,307
Equipment		<u>1,870</u>
		937,499
Less : Accumulated depreciation		<u>465,186</u>
Net property and equipment	\$	<u>472,313</u>

(6) Lease Rental Agreement -

The Eastern Oklahoma County Medical Development Authority has entered into a ten year triple net lease agreement with Saint Anthony Hospital to operate a medical clinic. The monthly rent from the lease is \$7,400.

EASTERN OKLAHOMA COUNTY MEDICAL DEVELOPMENT AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

(7) Contingencies -

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Authority purchases commercial insurance to cover these and other risks, including general auto liability, property damage, and public officials' liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

(8) Subsequent Events -

Management has evaluated subsequent events through September 16, 2019, which is the date the financial statements were available to be issued and has determined that no additional information needs to be added to the financial statements.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Trustees
Eastern Oklahoma County Medical Development Authority
Choctaw, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Eastern Oklahoma County Medical Development Authority, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Eastern Oklahoma County Medical Development Authority's basic financial statements and have issued our report thereon dated September 16, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Eastern Oklahoma County Medical Development Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Eastern Oklahoma County Medical Development Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Eastern Oklahoma County Medical Development Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of reportable findings and responses that we consider to be significant deficiencies, referred to as Finding 2019-01.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Eastern Oklahoma County Medical Development Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Eastern Oklahoma County Medical Development Authority's Response to Findings

The Eastern Oklahoma County Medical Development Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Eastern Oklahoma County Medical Development Authority's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is intended solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dillon & Associates, PC

Midwest City, Oklahoma
September 16, 2019

**EASTERN OKLAHOMA COUNTY MEDICAL DEVELOPMENT AUTHORITY
SCHEDULE OF REPORTABLE FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2019**

Finding 2019-01 - Internal Control - Financial Statements (Repeat Finding)

Criteria - The Authority's management is responsible for internal controls over financial reporting. This includes controls over the fair and complete presentation of the Authority's annual financial statements in accordance with GAAP. The presentation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing and summarizing accounting data (i.e., maintaining internal books and records) and (2) reporting financial statements, including the related footnotes (i.e., external financial reporting). Professional standards clearly indicate that the external financial statement auditor cannot perform any part of management's control activities or be a component of the internal controls over financial reporting.

Condition - As is the case with many smaller and medium-sized entities, the Authority has relied on its independent external auditors to provide the needed expertise to assist in the preparation of the financial statements and footnotes as part of its controls over the external financial reporting process. Accordingly, the Authority's ability to prepare financial statements in accordance with generally accepted accounting principles (GAAP) is based, in part, on its external auditors, who cannot by definition be considered a part of the Authority's internal controls. However, as required by professional standards the Authority has provided safeguards by designating a management level individual with suitable skill, knowledge and/or experience to oversee the services performed by our engagement, make all management decisions (e.g., determining or approving account classifications, adjusting journal entries, etc.) evaluate and monitor the performance and adequacy of the services, and take responsibility for the books, records and related financial statements.

Cause - Management has elected to use outside assistance from the external auditors to assist in meeting its responsibilities relative to preparing its annual financial statements. Although the Authority's management may lack certain expertise relative to preparing GAAP financial statements, professional standards do not require that the management or individual possess the expertise to perform or re-perform all such services. The auditor has explained all proposed audit adjustments and their effect on the financial statements and the related note disclosures to management who has affirmed their understanding and agreement as required by professional standards.

Effect or Potential Effect - Although management has reviewed the financial statements drafted by the auditor and accepted full responsibility for them, the auditor could be placed in a questionable position regarding auditor independence as a result of potentially performing part of management's functions if management or its representative is unable to understand the nature of the services, evaluate its adequacy and accept responsibility for its results.

Recommendation - We recommend that the Authority consider designing and implementing further internal controls over financial reporting by obtaining additional expertise to process and summarize accounting data and prepare financial statements in accordance with generally accepted accounting principles without reliance on the external financial statement auditor. This could be achieved through employment of qualified accounting staff or the outsourcing of these control activities to a qualified accounting firm other than the external auditor.

EASTERN OKLAHOMA COUNTY MEDICAL DEVELOPMENT AUTHORITY
SCHEDULE OF REPORTABLE FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2019

Responsible Official's Response - The Authority concurs with the recommendation, and will strive to process and summarize accounting data and further understand the presentation and disclosure requirements of the financial statements.